

JULIEN CARE FACILITY -
BEHAVIORAL ADJUSTMENT UNIT

FINANCIAL STATEMENTS

JUNE 30, 2004
AND
INDEPENDENT AUDITORS' REPORT

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT
JUNE 30, 2004

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JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Lou Baal	President	May 2005
Barb Potts	Vice-President	May 2006
Jan Kunau	Secretary	May 2007
Marilyn Osterhaus	Treasurer	May 2006
DUBUQUE CO:		
Jim Waller	Member	May 2005
David Berry	Member	May 2007
Nancy Zachar Fett	Member	May 2005
Rima Britt	Member	May 2007
JACKSON CO:		
Steven Kahler	Member	May 2005
Penny Percy	Member	May 2006
Jack Willey	Member	May 2005
CLINTON CO:		
Ruthann Papke	Member	May 2006
Sr. Ruth Cox	Member	May 2005
Lewis Todtz	Member	May 2006

Independent Auditors' Report

To the Board of Directors
Julien Care Facility - Behavioral Adjustment Unit

We have audited the accompanying financial statements, listed in the table of contents of this report, of Julien Care Facility - Behavioral Adjustment Unit (a nonprofit organization), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Julien Care Facility - Behavioral Adjustment Unit at June 30, 2004, and the results of its operations, changes in its net assets, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2005, on our consideration of Julien Care Facility - Behavioral Adjustment Unit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
January 7, 2005

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS

Current Assets:	
Cash	\$ 46,905
Patient accounts receivable, less allowance for doubtful accounts \$6,200	51,669
Prepaid expenses	2,809
Inventory	12
Total Current Assets	<u>\$ 101,395</u>
Assets Whose Use is Limited:	
Self-funded dental insurance surplus	<u>\$ 6,197</u>
Property and Equipment:	
Building improvements	\$ 33,792
Equipment	35,425
Total	<u>\$ 69,217</u>
Less: accumulated depreciation	(39,918)
Total Property and Equipment	<u>\$ 29,299</u>
Total Assets	<u><u>\$ 136,891</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 33
Accrued wages	13,816
Compensated absences	9,862
Total Current Liabilities	<u>\$ 23,711</u>
Net Assets:	
Unrestricted:	
Operations	\$ 106,983
Board designated	6,197
Total Unrestricted Net Assets/Total Net Assets	<u>\$ 113,180</u>
Total Liabilities and Net Assets	<u><u>\$ 136,891</u></u>

See accompanying notes to financial statements.

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Revenues and Losses:		
Patient fees	\$ 231,917	
Interest income	1,773	
Reimbursement for outside county residents	4,719	
Other revenue	<u>18,086</u>	
Total Revenues and Losses		\$ 256,495
Expenses:		
Nursing services	\$ 298,459	
Resident activities	12,361	
Housekeeping	37,200	
Nutrition	43,465	
Human services	12,400	
General and administrative	101,394	
Depreciation	<u>4,288</u>	
Total Expenses		<u>509,567</u>
Change in Net Assets From Operating Activities		\$ (253,072)
Net Assets at Beginning of the Year		<u>366,252</u>
Net Assets at End of the Year		<u>\$ 113,180</u>

See accompanying notes to financial statements.

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	Nursing	Resident Activities	Housekeeping	Nutrition	Human Services	Total Programs	General and Administrative	Total
Salaries	\$ 215,839	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 215,839	\$ -0-	\$ 215,839
Payroll taxes	14,866	-0-	-0-	-0-	-0-	14,866	-0-	14,866
Group health insurance	21,431	-0-	-0-	-0-	-0-	21,431	-0-	21,431
Group disability ins	687	-0-	-0-	-0-	-0-	687	-0-	687
Workmens' compensation ins.	5,000	-0-	-0-	-0-	-0-	5,000	-0-	5,000
Group retirement	10,176	-0-	-0-	-0-	-0-	10,176	-0-	10,176
Total Salaries and Related Expenses	\$ 267,999	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 267,999	\$ -0-	\$ 267,999
Accounting fees	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,243	\$ 2,243
Supplies	422	61	1,300	-0-	-0-	1,783	209	1,992
Food purchases	-0-	-0-	-0-	10,649	-0-	10,649	-0-	10,649
Printing and publications	-0-	-0-	-0-	-0-	-0-	-0-	152	152
Insurance	-0-	-0-	-0-	-0-	-0-	-0-	173	173
Professional fees	-0-	-0-	-0-	-0-	-0-	-0-	1,172	1,172
Intercompany fees	29,967	12,300	35,900	32,416	12,400	122,983	80,746	203,729
Repairs and maintenance	-0-	-0-	-0-	400	-0-	400	104	504
Telephone	-0-	-0-	-0-	-0-	-0-	-0-	1,258	1,258
Utilities	-0-	-0-	-0-	-0-	-0-	-0-	13,882	13,882
Miscellaneous	71	-0-	-0-	-0-	-0-	71	1,455	1,526
	<u>\$ 30,460</u>	<u>\$ 12,361</u>	<u>\$ 37,200</u>	<u>\$ 43,465</u>	<u>\$ 12,400</u>	<u>\$ 135,886</u>	<u>\$ 101,394</u>	<u>\$ 237,280</u>
Total Expenses Before Depreciation	\$ 298,459	\$ 12,361	\$ 37,200	\$ 43,465	\$ 12,400	\$ 403,885	\$ 101,394	\$ 505,279
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	4,288	4,288
Total Expenses	<u>\$ 298,459</u>	<u>\$ 12,361</u>	<u>\$ 37,200</u>	<u>\$ 43,465</u>	<u>\$ 12,400</u>	<u>\$ 403,885</u>	<u>\$ 105,682</u>	<u>\$ 509,567</u>

See accompanying notes to financial statements.

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Cash Flows from Operating Activities:	
Cash received from residents	\$ 244,808
Cash received from reimbursement for outside county residents	4,719
Cash received from others	18,086
Cash paid to employees and suppliers	(521,841)
Interest received	<u>1,773</u>
Net Cash Used from Operating Activities	<u>\$ (252,455)</u>
Cash Flows from Investing Activities:	
Cash used from assets whose use is limited	\$ (1,351)
Cash purchases of equipment	<u>(1,576)</u>
Net Cash Used from Investing Activities	<u>\$ (2,927)</u>
Net Decrease in Cash and Equivalents	\$ (255,382)
Cash and Equivalents at Beginning of Year	<u>302,287</u>
Cash and Equivalents at End of Year	<u><u>\$ 46,905</u></u>

Reconciliation of Change in Net Assets to Net Cash
from Operating Activities

Change in Net Assets From Operating Activities	<u>\$ (253,072)</u>
Adjustments:	
Depreciation	\$ 4,288
Changes in Assets and Liabilities:	
Decrease in patient accounts receivable	12,891
Increase in prepaid expenses	(2,655)
Decrease in inventory	4
Decrease in accounts payable	(630)
Increase in accrued wages	3,679
Decrease in compensated absences	(1,307)
Decrease due to affiliates	<u>(15,653)</u>
	<u>\$ 617</u>
Net Cash Used from Operating Activities	<u><u>\$ (252,455)</u></u>

See accompanying notes to financial statements.

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies:

A. Reporting Entity

Julien Care Facility - Behavioral Unit, a home specializing in the residential care treatment of chronically mentally ill persons, is a division of the Gannon Center for Community Mental Health, an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code. The corporation has five other operating divisions:

Gannon Center for Community Mental Health - Dubuque Office;
Dubuque, Iowa
Gannon Center for Community Mental Health - Maquoketa Office;
Maquoketa, Iowa
Julien Care Facility; Dubuque, Iowa
Andrew Jackson Care; Bellevue, Iowa
Gannon Center for Community Mental Health - Clinton Office;
Clinton, Iowa

The information in this report relates to the Behavioral Unit - Julien Care Facility.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

C. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2004.

D. Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(CONTINUED)

Note 1 - Summary of Significant Accounting Policies: (Continued)

E. Inventories

Inventories are stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market is determined by comparison with recent purchases or reasonable value. Inventories consist of usable nursing supplies.

F. Assets Whose Use is Limited

Assets set aside for board - designated purposes are classified as assets whose use is limited.

G. Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 5 - 40 years.

H. Compensated Absences

Facility employees accumulated a limited amount of earned but unused vacation and personal day benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on current rates of pay.

I. Net Patient Service Revenue

Patient service fees is reported at the estimated net realizable amounts from patients, third party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

J. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(CONTINUED)

Note 1 - Summary of Significant Accounting Policies: (Continued)

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Property and Equipment:

A summary of changes in property and equipment is as follows:

	Balance Beginning Of Year	Additions	Deletions	Balance End of Year
Equipment	\$ 35,425	\$ -0-	\$ -0-	\$ 35,425
Building improvements	32,216	1,576	-0-	33,792
Total	<u>\$ 67,641</u>	<u>\$ 1,576</u>	<u>\$ -0-</u>	<u>\$ 69,217</u>

Note 3 - Retirement Plan:

The Organization has a contributory 401(k) retirement plan. Substantially all employees are eligible for the salary deferral portion of the plan while employees must have at least one year of continuous service with 1,000 hours worked to be eligible for the Organization's contribution equal to five percent of the employee's gross salary. Employees are vested immediately on salary deferral contributions. Vesting for the Organization's contributions are stepped at a rate of twenty percent a year. Retirement plan expense for fiscal year ended June 30, 2004, was \$10,176.

Note 4 - Lease Agreement:

The Gannon Center for Community Mental Health leases real estate known as the Julien Care Facility from the County of Dubuque, Iowa for a sum of \$1 per year. The term of the lease was from July 1, 2001, to June 30, 2002, with an additional one year automatic extension thereafter from July 1, to June 30 each year unless notice of termination is given.

JULIEN CARE FACILITY - BEHAVIORAL ADJUSTMENT UNIT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

(CONTINUED)

Note 5 - Related Party:

The Facility was reimbursed \$ 17,694 for services it provided to related operating divisions.

The Facility reimbursed related operating divisions \$ 203,729 for services provided.

Note 6 - Board Designated Net Assets:

Board designated net assets at June 30, 2004, include the following:

Self-Funded Dental Insurance Surplus	<u>\$ 6,197</u>
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Note 7 - Center Risk Management:

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 8 - Economic Dependence:

The Facility receives a substantial amount of its support from local county government. A significant reduction in the level of this support, if this were to occur, may have an effect on the Facility's programs and activities. A large portion of the Facility's revenue from patient fees is paid by third-party reimbursement whereby patients qualify for funding through Title XIX of the federal Social Security Act. Changes in the level of funding for this program could have a considerable effect on the patient's ability to pay for services provided.

Note 9 - Self Insurance:

The Facility is self-insured for its employees' dental care claims. Insurance providers assist the Facility in determining its estimated liabilities for these self-insured claims.

Note 10 - Concentration of Credit Risk:

The Center, and its six divisions, maintain cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2004 the Center, and its six divisions, have uninsured cash balances at one of the institutions.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To The Board of Directors
Julien Care Facility - Behavioral Unit

We have audited the financial statements of Julien Care Facility - Behavioral Unit (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated January 7, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Julien Care Facility - Behavioral Unit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Julien Care Facility - Behavioral Unit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Julien Care Facility - Behavioral Unit in a separate letter dated January 7, 2005.

This report, a public record by law, is intended solely for the information and use of Julien Care Facility - Behavioral Unit and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
January 7, 2005